



European
Commission

EUROPEAN ECONOMIC FORECAST

Autumn 2018

8 NOVEMBER 2018

PIERRE MOSCOVICI

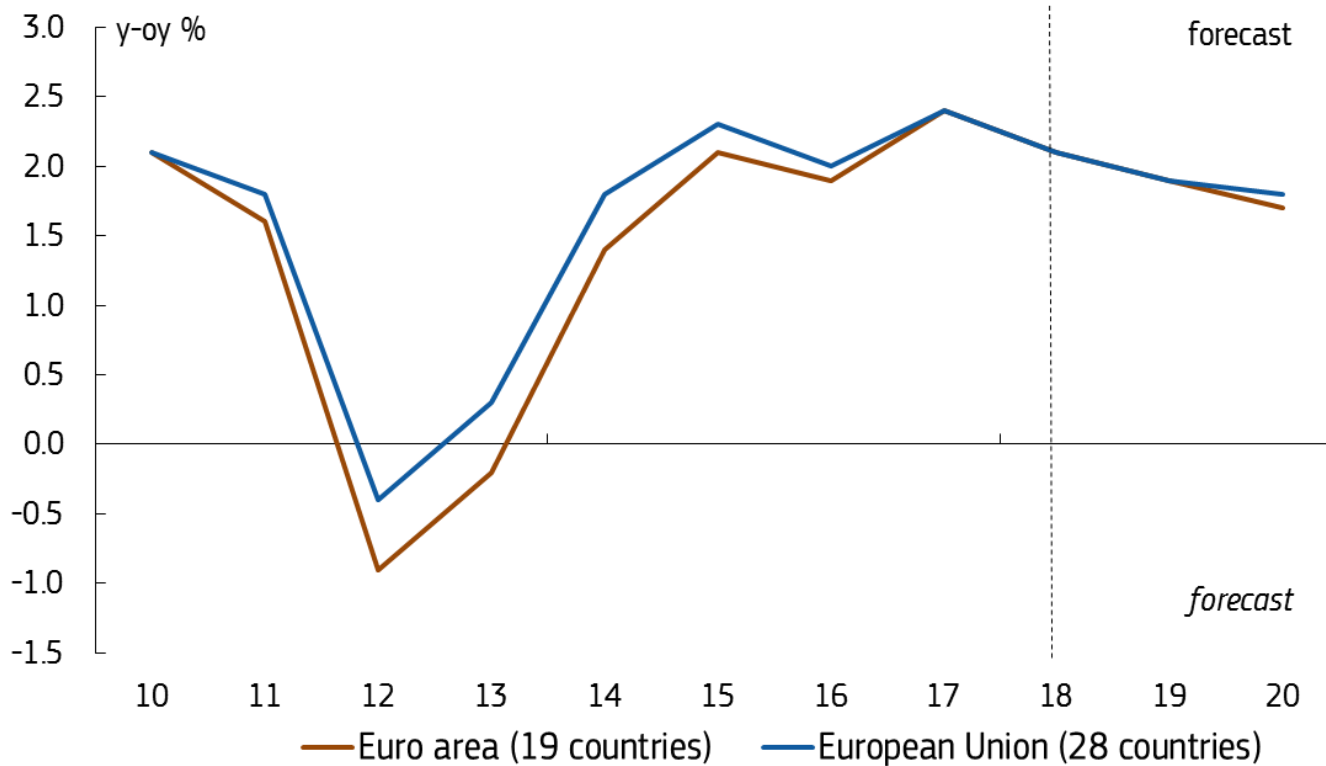
Commissioner for Economic and Financial Affairs, Taxation and Customs

Key messages from the Autumn 2018 European Economic Forecast

1. Economic growth set to continue at a slower pace
2. Labour market tightening translates into higher wages
3. Core Inflation expected to move up very gradually
4. Fiscal stance set to turn slightly expansionary next year
5. Numerous interrelated risks are clouding the outlook

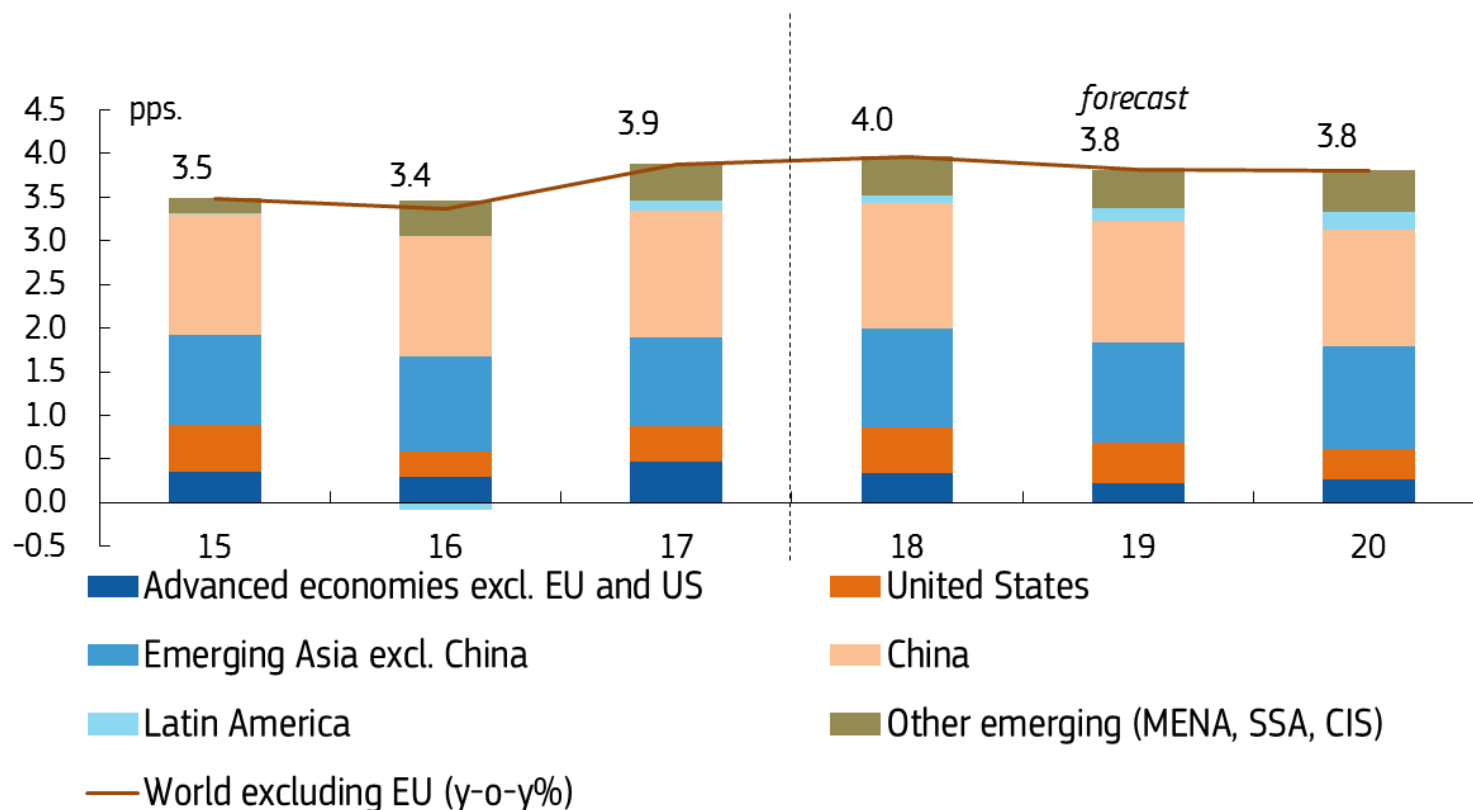
Economic growth set to continue at a slower pace

Real GDP growth (2010-2020)



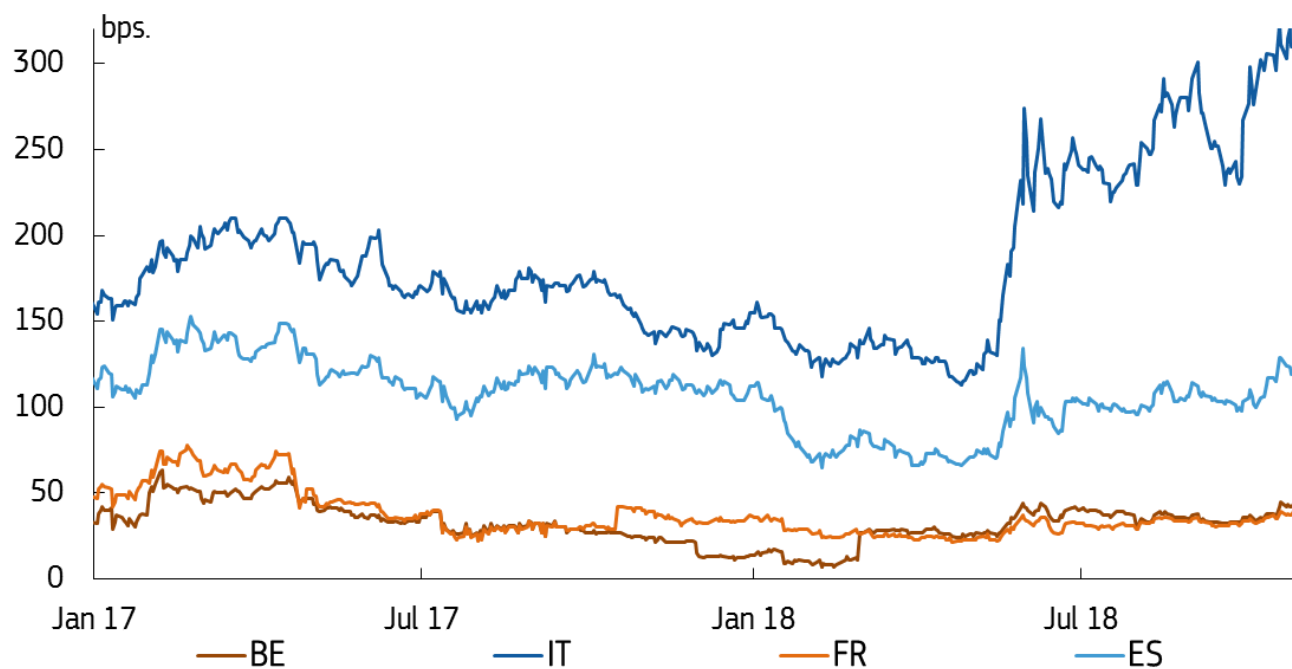
Global growth set to slow down

Contributions to global, non-EU GDP growth



Financial market sentiment has softened

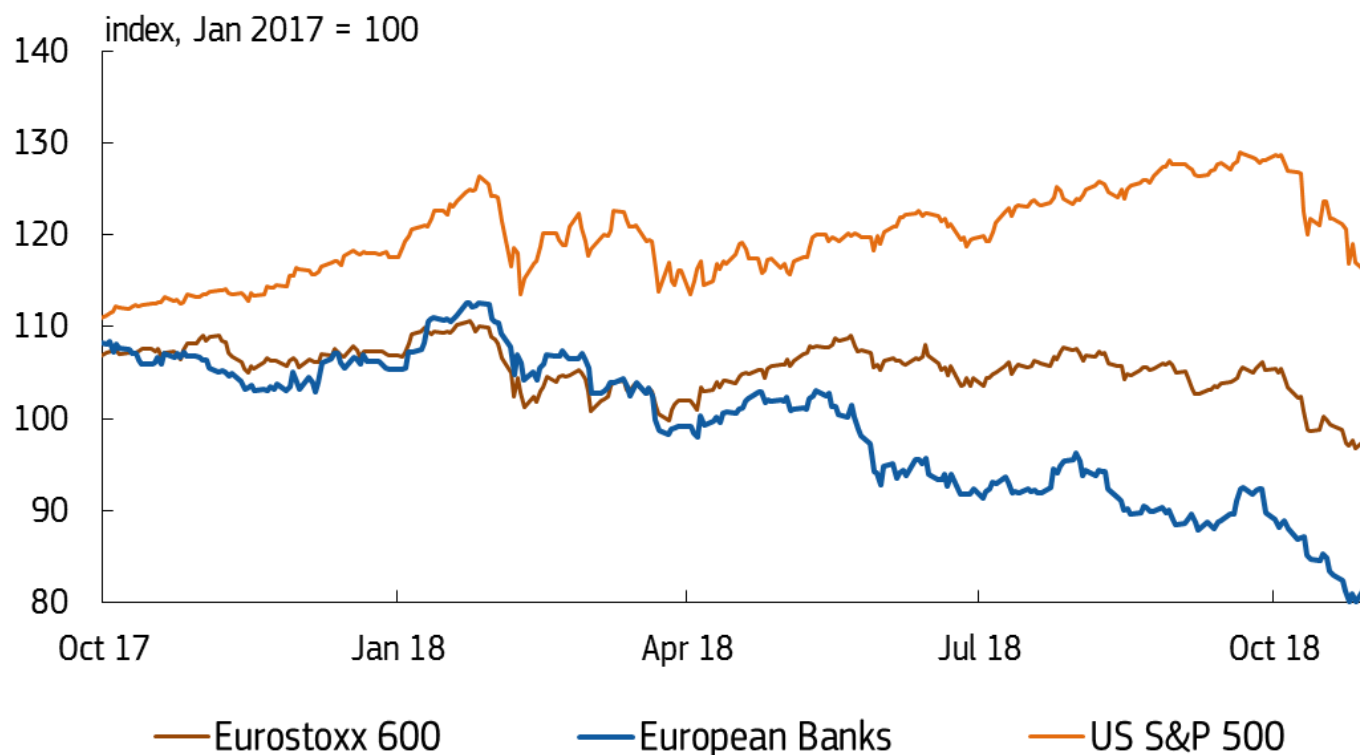
Sovereign 10-year spreads vs German bund



Source: Macrobond.

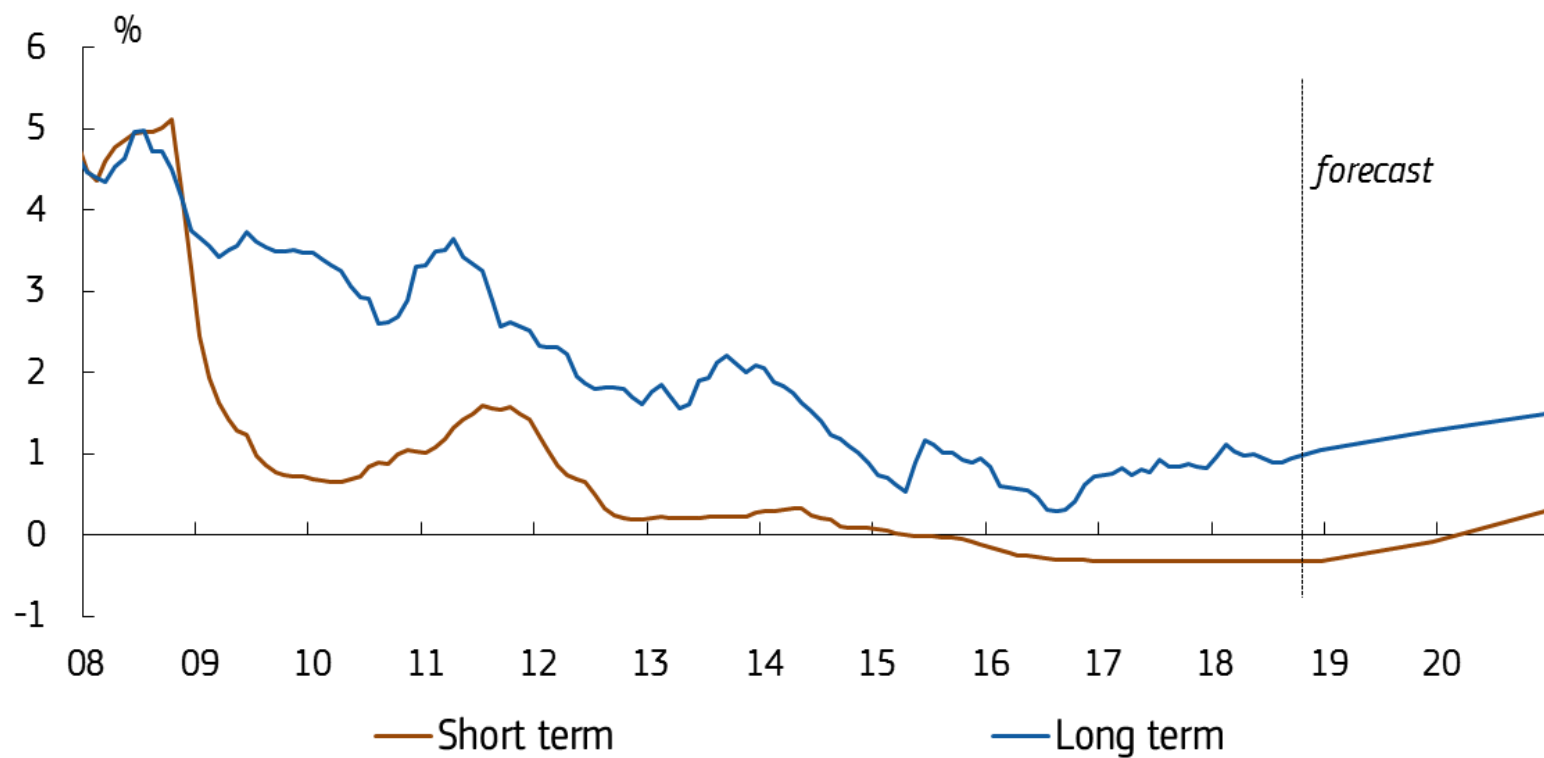
Financial market sentiment has softened

European stocks



Source: Macrobond.

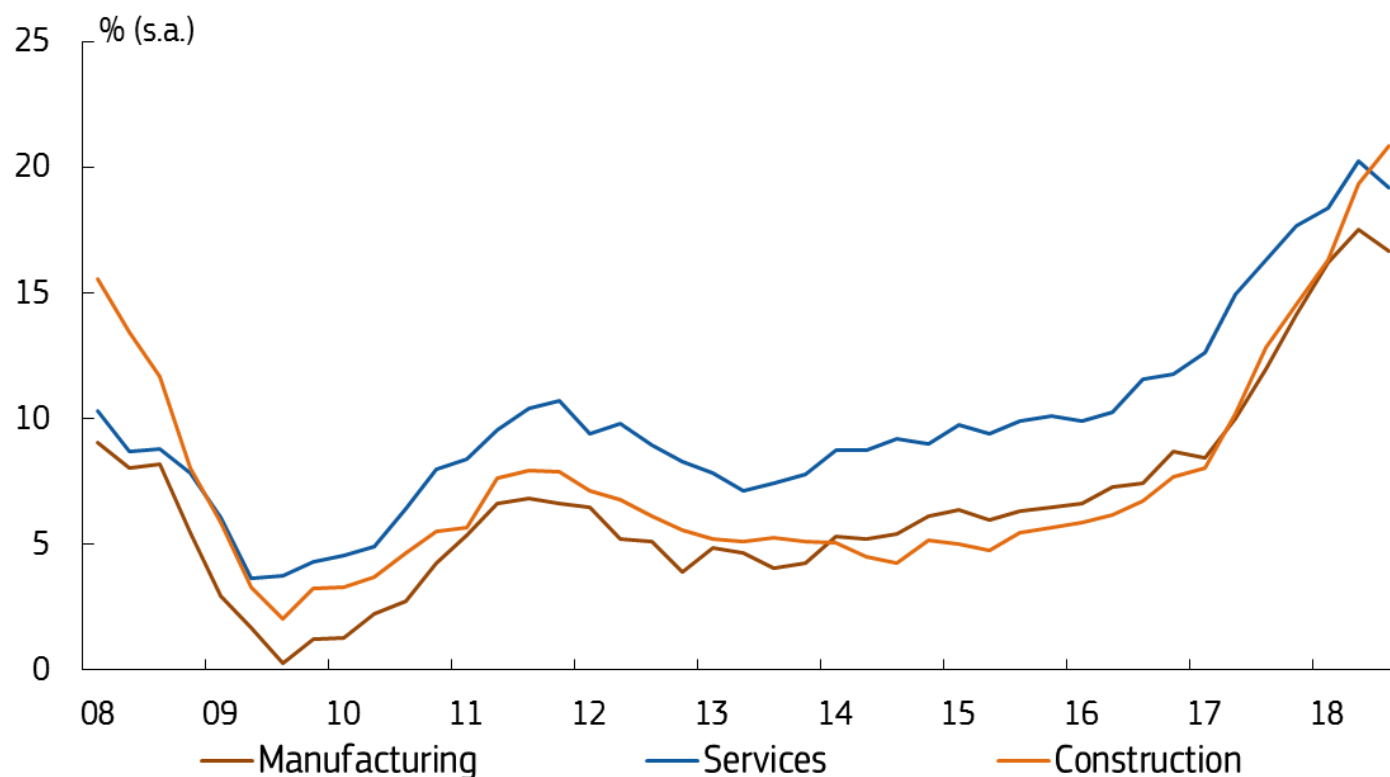
Monetary policy set to remain supportive



Short term rate: 3M Euribor; long term rate: 10Y interest swap.

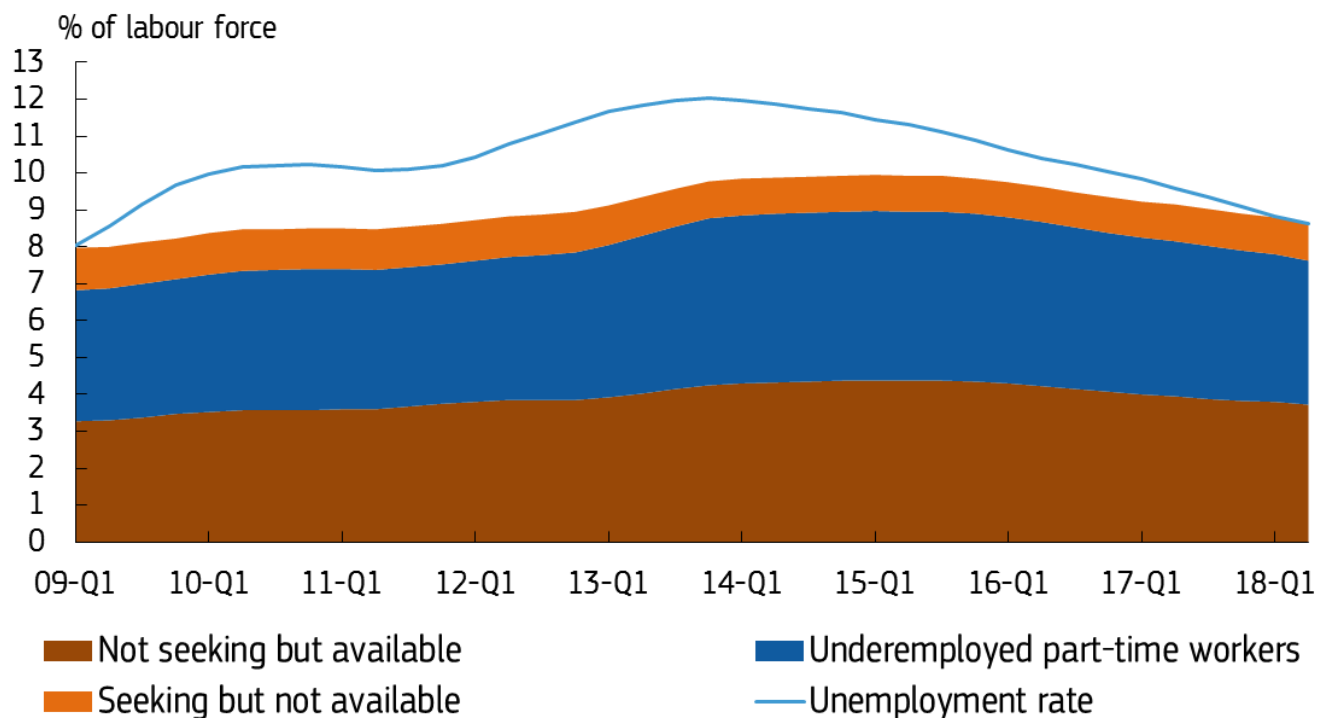
Labour markets slack is receding

Labour seen as limiting factor of activity, euro area



Labour markets slack is receding

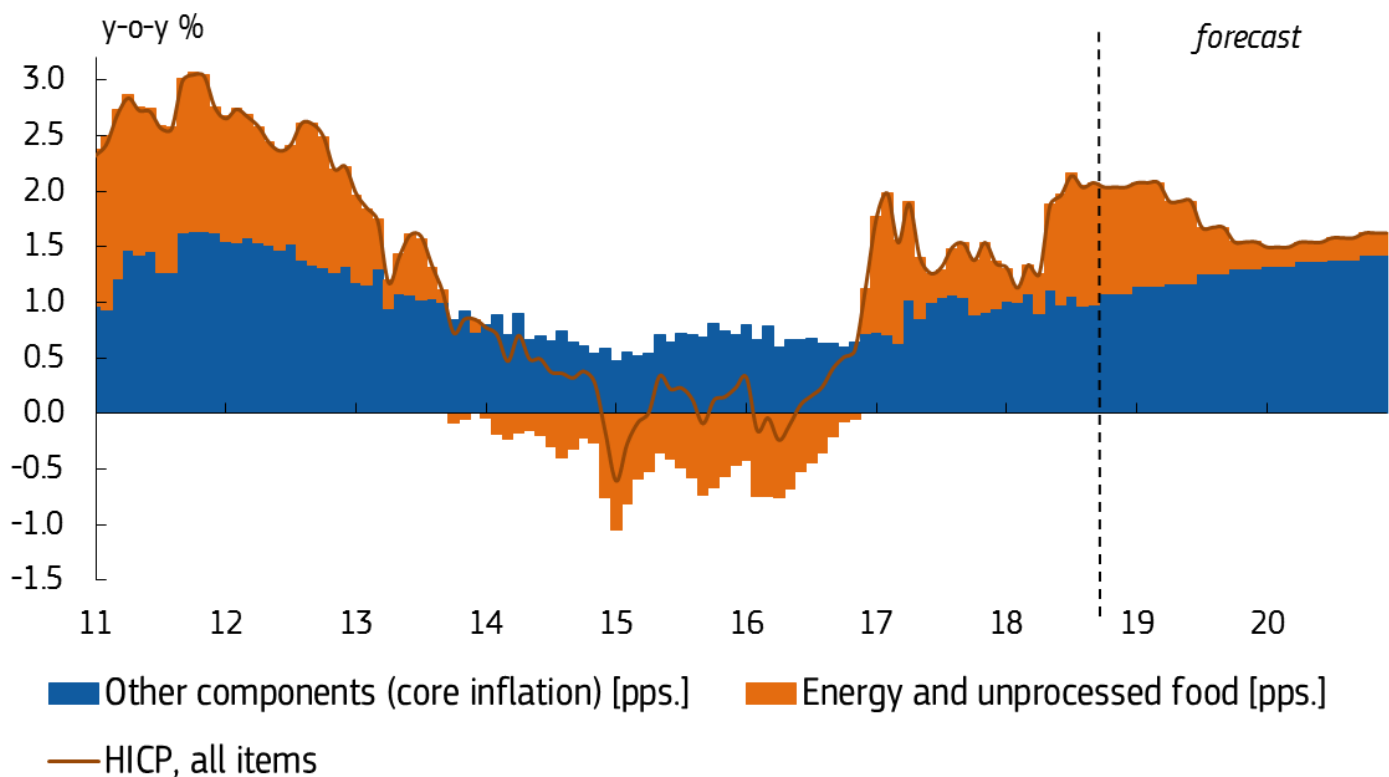
Total underemployment, euro area



Note: 4 quarter moving averages

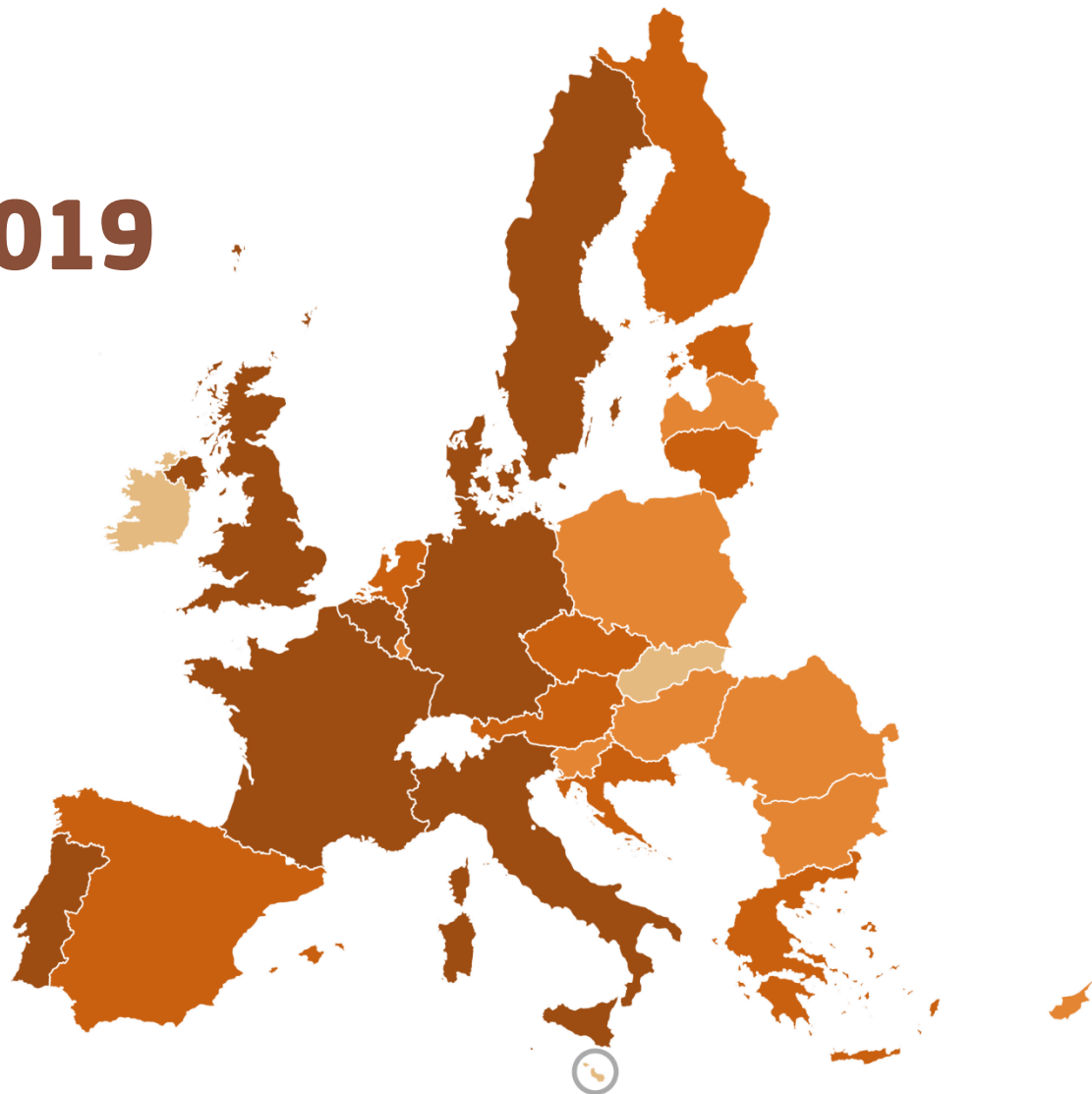
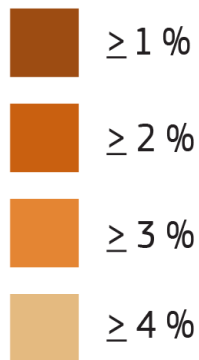
Core inflation set to rise gradually

Inflation breakdown, euro area



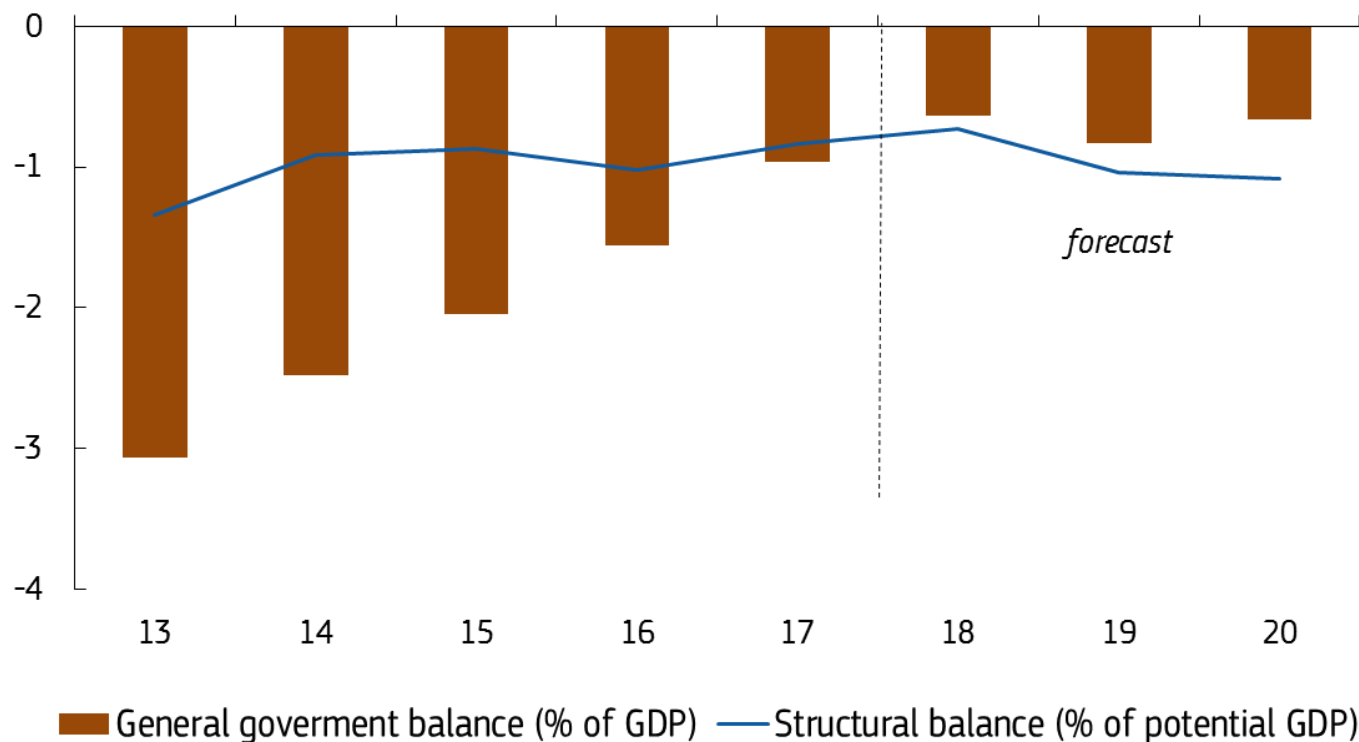
European growth map 2019

Annual real
GDP growth in %



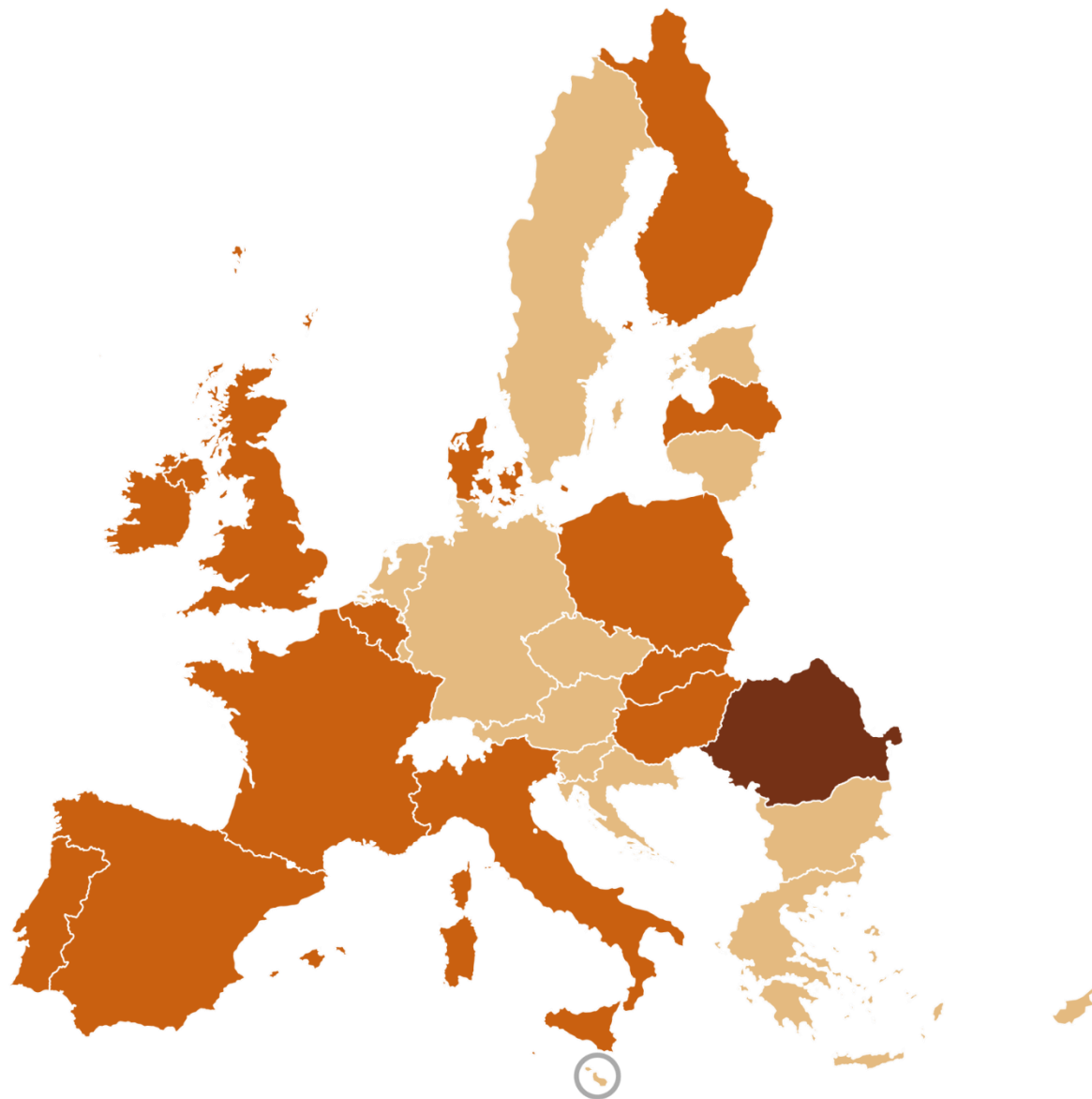
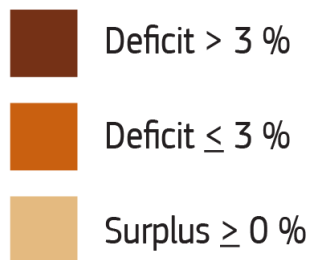
The fiscal stance set to turn slightly expansionary in 2019

Budgetary developments, euro area



Budgetary outlook 2019

as % of GDP



Rising and interrelated risks are clouding the outlook

